



June 17, 2022

VIA ELECTRONIC SUBMISSION

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews (Release No. IA-5955; File No. S7-03-22)

Dear Ms. Countryman:

The Small Business & Entrepreneurship Council (SBE Council) is pleased to offer this comment letter concerning the rule under consideration: Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews.

SBE Council is a nonprofit advocacy, education and research organization dedicated to promoting entrepreneurship and protecting small business. For more than 27 years, our work has focused on strengthening the policy ecosystem and conditions for strong startup activity and small business growth. Access to capital and strengthening capital formation have remained core SBE Council issues since our founding. In addition to spearheading important legislative and private sector initiatives that have bolstered capital access, SBE Council has routinely engaged with the Securities and Exchange Commission (the “Commission”) on solutions and steps to modernize and streamline existing regulations to improve U.S. capital markets and the flow of capital to small businesses and startups.

With regard to the current proposal being considered on private fund advisers, it represents a radical departure from what has traditionally been a process of rigorous examination and public engagement by the Commission. In recent years, this has led to the modernization of rules and frameworks that support small business capital formation, small firms in general, and smaller upstarts in the financial services industry.

Indeed, and especially during this turbulent period of time for our economy when the private sector and private investment must be encouraged to bring the nation’s economy and supply chains back to stability, the Commission should be reviewing ways to further enable and support U.S. capital markets, not restrict activity and growth further through unnecessary regulation.

Unfortunately, the latter is the case with this private fund advisers proposal where the Commission is reaching into areas that are not broken and if enacted would disrupt and corrode the efficiency and positive activity of the private capital markets.

SBE Council urges the Commission to withdraw the proposed rule for the following reasons:

No market failure: The Commission has not cited instances of market failure in the current disclosure-based system to justify its restrictive, complex and costly proposal.

Investment activity would be curtailed: Such activity has been beneficial to U.S. capital formation, the startup ecosystem, and the private funds marketplace. Again, deteriorating economic conditions demand that policies bolster investment and the U.S. capital markets.

New costs and complex rules disproportionately hurt smaller firms: Newer firms in the marketplace provide choice, innovative approaches, and increasingly are women and minority-owned. The proposed costly framework, is not only unnecessary, it works against promoting diversity in this sector.

As noted by Greg Gethard in Buyouts in regard to the impact of the proposed rule ([Proposed SEC Rules Could Hurt Diverse-Owned Firms](#), May 2022, Buyouts):

“An unintended consequence of the proposed tighter regulation of private equity could be increasing the cost on smaller funds, which would impact the growing community of diverse managers that have been making inroads in the industry.”

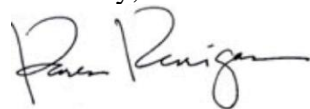
And he quotes Bob Greene, President and CEO, National Association of Investment Companies, the nation’s largest network of diverse-owned alternative investment firms in the piece:

“The current regulations are potentially pushing logs down a hill just as people of color and women are starting to climb the hill.”

Unintended consequences would harm startups and small businesses: Higher compliance costs and more regulation have a downstream effect on small businesses. Not only on the smaller funds, but also on startups and small businesses that require capital to scale and compete. Higher capital costs and less capital are never good for the entrepreneurial sector of the economy.

The Commission has not justified the need for the new rules. Moreover, the timing of this regulatory initiative is horrible. SBE Council urges the Commission to withdraw the rule and work with the private sector on solutions to strengthen and further modernize the regulatory environment for U.S. capital markets.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Kerrigan".

Karen Kerrigan
President & CEO

200 Lawyers Road NW • Vienna, VA 22183

(703)-242-5840 • www.sbecouncil.org • @SBECouncil

Protecting Small Business, Promoting Entrepreneurship